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August 11, 2011

Clerk of the Board  
California Air Resources Board  
1001 "I" Street  
Sacramento, CA 95812

**Submitted Electronically**

**Comments of Occidental Petroleum on Air Resources Board 15-Day Modifications to Proposed Regulations for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation, Including Compliance Offset Protocols**

Occidental Petroleum Corporation ("Occidental") respectfully submits the following comments on the carbon dioxide (CO<sub>2</sub>) supplier provisions of the California Air Resources Board ("ARB") "15-Day Modifications to Proposed Regulations for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation, Including Compliance Offset Protocols."

Occidental is a Los Angeles-based oil and gas exploration and production company with operations in the United States, the Middle East, North Africa and Latin America. Oxy is California's No. 1 natural gas producer and the state's second-largest oil and gas producer on a barrels of oil equivalent basis. Our California operations encompass more than 3,700 drilling locations and 7,500 active wells in 90 producing fields spanning more than 600 miles. Occidental's significant equity interests in California include:

- Occidental of Elk Hills, Inc. – the majority owner and operator of the Elk Hills field, which produces oil and associated natural gas from the former U.S. Naval Petroleum Reserve located in Kern County;
- THUMS Long Beach Company and Tidelands Oil Production Company – serving as the contract operator for the City of Long Beach of oil and gas fields owned primarily by the State of California;
- Vintage Production Company, LLC – operating properties that produce oil and gas from more than 50 fields primarily located in the Ventura, San Joaquin and Sacramento basins; and
- Elk Hills Power, LLC – a 550-MW gas-fired power generation plant, located in western Kern County.

Occidental's comments focus on harmonizing CARB's proposed cap and trade program provisions for carbon dioxide suppliers with parallel U.S. EPA CO<sub>2</sub> reporting provisions incorporated by the proposed CARB rules. As discussed further below, by failing to harmonize CARB's proposed rules with EPA's parallel rules, CARB has created a regulatory void for the calculation of emissions from activities excluded from the parallel federal rule. Furthermore, EPA excluded these activities because they do not result in emissions of CO<sub>2</sub> to the atmosphere. By including these activities in its rules, CARB would overstate the amount of CO<sub>2</sub> emitted into the atmosphere and require California carbon dioxide suppliers to surrender CO<sub>2</sub> credits for activities that do not result in greenhouse gas (GHG) emissions. Finally, the substantial inconsistency between the CARB and EPA regulated activities will impose an unnecessary administrative burden on California operators that must calculate and report two separate sets of data.

### **Harmonize CARB and EPA rules by excluding certain carbon dioxide supplier from the cap and trade program**

Section 95123 of CARB's proposed rules requires "carbon dioxide suppliers" to comply with Subpart PP of 40 CFR Part 98 (§§98.420 to 98.428) in reporting CO<sub>2</sub> emissions to ARB. The proposed definition of "carbon dioxide supplier" at §95802(a)(45) omits the following list of activities that are excluded from EPA's carbon dioxide supplier GHG reporting regulation in Subpart PP, at 40 CFR 98.420(b):

- Storage of CO<sub>2</sub> above ground or in geologic formations
- Use of CO<sub>2</sub> in enhanced oil and gas recovery
- Transportation or distribution of CO<sub>2</sub>
- Purification, compression, or processing of CO<sub>2</sub>
- On-site use of CO<sub>2</sub> captured on site.

The carbon dioxide supplier activities excluded by Subpart PP are not designed to emit CO<sub>2</sub> to the atmosphere. For California carbon dioxide suppliers, the failure to exclude these activities creates a surrender obligation under §95851(a) and §95852(g) for CO<sub>2</sub> that is not emitted to the atmosphere by the supplier. It also would unnecessarily increase the administrative burden on California suppliers by requiring them to track and report emissions using two separate protocols for the same activities.

Furthermore, since there are no provisions in Subpart PP for calculating the quantity of CO<sub>2</sub> associated with the excluded (and non-emitting) activities, it is impossible for a carbon dioxide supplier to comply with the requirement of proposed section 95123 that carbon dioxide suppliers comply with Subpart PP. Without CARB-specific provisions for calculating the quantity of CO<sub>2</sub> "emissions" associated with the activities excluded from Subpart PP, a California "carbon dioxide supplier" conducting those activities cannot determine the required reporting method or the amount of its surrender obligation.

#### **Recommendation to harmonize CARB and EPA rules**

Sections 95802(a)(45), 95851(a) and/or 95852(g) should be amended to exclude the following activities:

- Storage of CO<sub>2</sub> above ground or in geologic formations
- Use of CO<sub>2</sub> in enhanced oil and gas recovery
- Transportation or distribution of CO<sub>2</sub>
- Purification, compression, or processing of CO<sub>2</sub>
- On-site use of CO<sub>2</sub> captured on site.

### **Other cap and trade program issues**

There are several additional important questions and unresolved issues related to oil and gas sector GHG benchmarking / allowance allocation and electricity generation / usage. Occidental alone, and as a member of the Western States Petroleum Association (WSPA) and the Energy Producers and Users Coalition (EPUC), has met several times with CARB staff to address specific concerns and propose approaches to resolve these matters. For additional information regarding these additional issues, Occidental references and incorporates herein its earlier comments (dated November 15, 2010 and December 15, 2010), and supports and incorporates

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herein the related comments submitted by WSPA and EPUC in response to the 15-day changes issued July 25 and 27, 2011 under the cap and trade rulemaking.

Oxy would appreciate the opportunity to discuss these comments with CARB staff.

Respectfully,

A handwritten signature in cursive script, reading "Carl Wirdak". The signature is written in dark ink and is positioned above the printed name and title.

Carl Wirdak  
Director, Environmental Affairs